

USDA 2001-2004 HISTORIC TIMES, HISTORIC SUCCESSES



PREFACE

The past four years at the U.S. Department of Agriculture have been extraordinary times: times of change, times of challenge, times of unrivaled success. This publication is a look back at one of the most eventful and consequential periods in the history of USDA.

It also serves as a useful bookend to another document we published in 2001. At the beginning of the Bush Administration, we set out to chart a bold vision for U.S. agriculture, our food sector and rural America. *Food and Agricultural Policy: Taking Stock for the New Century* laid out principles for achieving our mission of strengthening, enhancing and protecting the nation's dynamic food and agriculture system and rural communities. These included concepts of sound science as a guide in decision-making, the incomparable record of free markets as a driver of progress, and the need to adapt to change and capitalize on new opportunities in a dynamic and swiftly integrating world.

We have endeavored during the first term of President Bush to uphold these principles, and we believe the result is a record of historic achievement for USDA in which we all can take great pride. We do not measure our success by programs that are created or accolades that are won, but by the results we attain. By that standard, we have succeeded.

What we have done has mattered. It has mattered to the competitiveness of the food and agricultural sectors. It has mattered to the health of our people. It has mattered to the prudent stewardship of our natural resources. It has mattered to preserving the strength and unique character of our rural areas. And, it has mattered in lives improved, and lives literally saved – whether it is a family imperiled by the advance of a forest fire, a child protected by aggressive food-safety inspections, a hungry baby in Africa who receives food assistance for the first time, or a disease conquered through genomic research.

Through it all, it has been a deep honor to serve with President Bush, who remains personally committed to the success of American agriculture and rural areas, and alongside so many talented and capable USDA leaders and employees.

And it has been a distinct pleasure to serve the American people for four memorable years.



January 2005



Secretary Ann M. Veneman visits children in Iraq, November 2003

A STRONGER FARM AND RURAL ECONOMY

1

"The corn is as high
as an elephant's eye,

"And it looks like it's
climbin' clear up to the sky."

— Oscar Hammerstein II,
Oklahoma!, 1943

Agriculture by its nature is cyclical, and one is hard-pressed to think of another endeavor in which the success of an entrepreneur depends so greatly on events that are beyond his or her control. Market conditions, the forces of nature, government policies, and other factors can all combine to work for or against producers.

Given the sheer number of variables, then, it is notable that the farm and rural economies experienced such a solid rebound between 2001 and 2004. Several new records were established, covering prices, income, assets, output and foreign sales. The resurgence is the result of a "perfect storm" of positive factors converging at the same time, and many indications point to continued strong performance in the future.

The dynamic, diversifying, and competitive nature of agriculture – together with unpredictable shocks to the farm and food

system from weather and disease threats – highlight the need for policies, programs, and structures that adapt to rapid change.

Under the Bush Administration, USDA has proven extremely responsive in meeting enormous challenges, while yielding significant benefits to the food and agriculture systems.

Igniting a Spark

In 2001, the Bush Administration inherited a farm economy in recession. The global economic slowdown of the late 1990s caused foreign demand for U.S. farm products to slump. As the U.S. economy in late 2000 slid toward recession, growth in domestic demand for food softened. These factors, combined with lower agricultural exports and large crops, eroded commodity prices and the value of sales.

During 2000, net cash farm income was near its long-term average, but the underlying weakness in the farm economy was masked by government payments to producers, which reached a record-high \$22.9 billion that year. Export sales in fiscal year 2000 were just \$50.7 billion, down more than 15 percent from the 1996 peak of \$60 billion.

Faced with a sluggish economy, President Bush signed three major tax cuts during his first three years in office. A fourth bill, signed in October 2004, extended a number of the provisions of the previous bills. These tax cuts provided tremendous benefits to both the economy generally, and to the farm economy specifically.



USDA estimated that the tax cuts provided about \$4 billion for farmers and ranchers in 2003, and another \$4 billion in 2004

Almost nine out of 10 farm households received at least some tax relief, with average savings of about \$2,000 per farm household per year, a 16 percent reduction in their annual tax burden. The benefits included lower marginal tax rates, the increased child tax credit, marriage-penalty relief, and lower taxes on dividends. But two provisions proved especially critical to farmers and rural Americans:

First, the amount of investments in farm machinery that can be expensed increased to \$100,000 from \$25,000. Some 98 percent of farmers were able to deduct their entire machinery investment under the tax cut, sparking equipment purchases that improved local economies and created jobs.

Second, farmers were about twice as likely to benefit from capital gains tax cuts, compared to all taxpayers, benefiting about 40 percent of all farmers who reported capital gains.

Nationwide, the tax cuts lowered income tax rates and increased tax benefits for new investment, boosting consumer demand and promoting business expansion, which helped pull the economy out of recession. As the national economy strengthened, the global economy improved as well, setting the stage for the farm and rural prosperity of recent years.

The Farm Economy Responds

The President's tax cuts, declining unemployment, low interest rates, low inflation and the declining value of the dollar helped increase the demand for farm products. Export sales have risen steadily since plunging after the global

currency crisis of 1997, and the economic slowdown that followed. Those sales reached a new record-high of \$62.3 billion in fiscal year 2004 (Fig. 1), despite lost sales due to animal-disease issues.

While market conditions were improving, there was increased attention to the adequacy of the farm sector "safety net." Congress passed the 2002 Farm Bill, which President Bush signed on May 13, 2002. The new law provided counter-cyclical payments to producers when prices for major crops fall below target levels. It also authorized record levels of conservation assistance to farmers and ranchers, and was the first farm bill to contain a comprehensive energy title. Responsibility then shifted to USDA, and the complex new farm programs were implemented in unprecedented time.

U.S. farm income was unusually sluggish in 2002, the first year of the 2002 Farm Bill, due to low livestock returns, and exacerbated by drought in the Western states (Fig. 2). But reduced government payments were also a factor, as many producers elected to push their program benefits from 2002 into 2003. Government payments

*"To plow is to pray;
to plant is to prophesy;
and the harvest
answers and fulfills."*

— Robert Ingersoll, Orator, 1906

**Figure 1 — U.S. Agricultural Exports Rebound...
Despite BSE/AI Disruptions (in Billions of \$)**

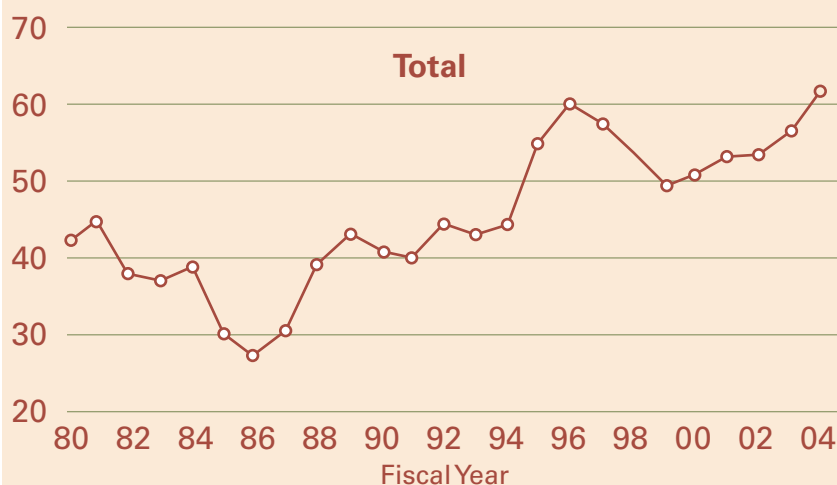
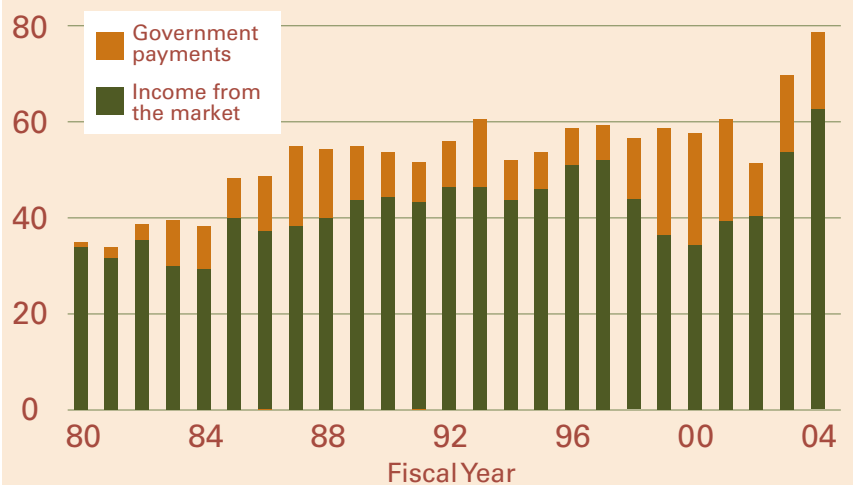


Figure 2 — U.S. Net Cash Farm Income...
Record Highs in 2003 and 2004 (in Billions of \$)



"Our world is becoming increasingly global, with changes occurring at a faster and faster pace. New technologies and modes of communication, transportation improvements and interconnected markets all make it vital that we work even harder to compete, rather than walling ourselves off and going it alone."

— Secretary Veneman, July 2004

in 2002 fell to \$11 billion from nearly \$21 billion the prior year.

By 2003, stronger crop and livestock prices and rising government payments pushed net cash farm income to a then-record high of nearly \$69 billion, up \$18 billion from the previous year. Higher livestock and crop prices contributed to a \$16.5 billion increase in cash receipts.

Remarkably, the financial situation improved even more in 2004, with net cash farm income expected to reach a new record of \$77.5 billion. Record prices during the first half of 2004 and record crop production during the second half were expected to push farm cash receipts to \$233 billion, the highest ever. The stronger markets also reduced spending on farm commodity programs during Fiscal Years 2002 to 2004 by nearly \$20 billion below the spending forecast that was made at the time the 2002 Farm Bill was enacted.

Along with stronger cash flow came increases in farm business assets and equity values. At the end of 2004, farm assets were expected to exceed \$1.4 trillion, more than 13 percent above 2000. The result was the highest farm asset value in history.

Managing the Unexpected

Shocks to the farm economy were a regular occurrence from 2001 to 2004. Successive years of drought in the Western states, threats from animal and plant diseases, and the multiple hurricanes in the Southeast in 2004 were just a few of the enormous challenges agriculture faced during the past four years. The farm safety net, including an improved federal crop insurance system, provided a foundation of support to help farmers respond to these events. Steady improvements over the past four years in federal crop insurance following enactment of the Agricultural Risk Protection Act of 2000 have resulted in an increase in insured liability from \$34 billion in 2000 to more than \$47 billion in 2004 (discussed in greater detail in Chapter 2).

In some instances, USDA provided additional assistance by redirecting existing resources to minimize the adverse effects of these events on agriculture. In other instances, Congress has called upon USDA to administer new programs to help alleviate more acute economic hardship.

Rural Poverty Down; Home Ownership Booms

Farmers and ranchers were not the only beneficiaries of the economic upturn. Rising farm exports and incomes, expanding value-added agricultural production and the improving overall economy created more favorable conditions across rural America. USDA support for rural business formation and infrastructure improvements, such as water, housing, public facilities, and broadband, also contributed.

Rural job growth, which was initially slow after 2000, surged in 2004, with rural areas seeing the first increase in manufacturing jobs in several years. Rural

construction and durable-goods manufacturing were boosted by low mortgage interest rates, which in 2003 dropped to the lowest levels in more than four decades. The low rates increased housing affordability, and in 2004 led to the highest level of homeownership ever for rural households, which

was well above the ownership rate for metro households (discussed in chapter 7.)
The rate of rural households in poverty from 2001 to 2004 remained well below the average of the 1990s. ■



HELPING FARMERS SUCCEED IN A DYNAMIC GLOBAL MARKETPLACE

2



Buoyed by a historically strong farm economy, American agriculture continues its rapid pace of change. Under the Bush Administration, USDA has been an active partner in helping agricultural producers mitigate risks while capitalizing on new opportunities. Producers are finding innovative ways to market their products, and more avenues than ever before to export what they produce.

Trade

At a time when the products from one in three harvested U.S. acres are sold abroad, trade is more critical than ever. Exports of American agricultural products in Fiscal Year 2004 reached an all-time high of \$62.3 billion, making solid contributions to farm income and supporting some 930,000 jobs, about 40 percent of which are in rural areas.

2004's record export level of \$62.3 billion is 22 percent higher than 2000

The Bush Administration has undertaken one of the most aggressive agricultural trade agendas in history. Eight regional and bilateral free-trade agreements have been completed with Chile, Singapore, Jordan, Morocco, Australia, Bahrain, and the "CAFTA" nations (Costa Rica, Honduras, El Salvador, Guatemala and Nicaragua) along with the Dominican Republic. Annual agricultural trade with these countries is valued at \$2.7 billion, which is expected to increase by more than 50 percent when the trade agreements are fully implemented.

New trade agreements will give U.S. producers more access to 120 million consumers with \$828 billion in annual income

Additional agreements are being negotiated with Panama, Thailand, the Andean countries (Colombia, Ecuador and Peru), the countries of the Southern African Customs Union, and the 34 Western Hemisphere nations of the Free Trade Area of the Americas.

U.S. Trade Representative Robert Zoellick and Secretary Veneman led the U.S. trade delegation to the World Trade Organization (WTO) meeting that launched the "Doha Development Agenda." A successful agreement could bring historic new market access for U.S. agricultural goods, elimination of export subsidies and reductions in trade-distorting domestic support internationally.

Successful conclusion of this far-reaching and historic trade agenda will help ensure the continued economic health of American farmers and ranchers.

"Market Maintenance"

As the global economy becomes more integrated, the Bush Administration has made it a priority to keep existing markets open and prevent minor disturbances from becoming major disruptions. These "market maintenance" activities preserve millions of dollars in trade every year that could otherwise be lost to technical and commercial market disputes.

The Administration's response to bovine spongiform encephalopathy (BSE), or mad

cow disease (discussed in greater detail in chapter 4), has restored more than \$1.7 billion in disrupted beef exports. Other efforts have increased U.S. market access to China for soybeans and cotton, and reopened the Russian market to poultry.

Bright Spots

Two notable areas of trade success include the North American Free Trade Agreement (NAFTA) and expansion of the China market.

Before the passage of NAFTA in 1993, U.S. food and agricultural exports to Mexico and Canada together were only equal to sales to Japan, our leading export destination at the time. After 10 years, sales to Japan have remained relatively stable (\$8.9 billion), while 2004 U.S. exports to Canada and Mexico (\$18.2 billion) were more than double the sales to Japan.

In November 2001, China was admitted to the WTO, bringing it into the rules-based global trading community. Since then, U.S. agricultural exports to China have more than tripled, reaching \$6 billion. China now accounts for nearly 10 percent of U.S. agricultural exports and is the top export destination for U.S. soybeans, cotton and hides/skins.

Alternative Uses

Exports are not the only destination for American agricultural products that have seen major gains. More and more commodities are destined for alternative uses, such as products that help to meet the nation's growing energy needs.

Secretary Veneman was a member of President Bush's National Energy Policy Group, which advocated the further development of alternative fuels, such as ethanol and biodiesel, to help reduce our dependence on foreign energy. USDA and the Administration continue to work

toward this goal, with initiatives such as supporting the inclusion of a Renewable Fuels Standard in the energy bill to increase the use of bio-fuels. The number of ethanol plants has increased from 54 in 2001 to 82 in 2004, and 16 plants with annual production capacity of 740 million gallons were under construction. About 12 percent of the corn crop goes toward ethanol production.

U.S. production of ethanol from corn rose from 60 million gallons in the mid-1970s to an estimated 3.4 billion gallons in 2004

With support from USDA's Commodity Credit Corporation (CCC) Bioenergy Program, U.S. biodiesel production jumped from less than one-half million gallons in 2000 to an estimated 30 million gallons in 2004.





The Farm Safety Net

While farmers and ranchers are finding many new outlets for what they produce, USDA has worked to ensure that an effective economic safety net is in place. The Department implemented the complex and sweeping 2002 Farm Bill quickly and efficiently, delivering its benefits to farmers in unprecedented time. USDA's Farm Service Agency released 17 comprehensive new regulations to implement the legislation, over half within the first five months of the law's enactment.

By the end of 2004, more than \$23 billion had been provided under the 2002 Farm Bill farm and conservation programs

Farm Bill implementation also proceeded side-by-side with the implementation of major disaster-relief legislation, which included a Crop Disaster Program and a Livestock Assistance Program.

As a proactive response to future disasters, Secretary Veneman in April 2003 announced the formation of the Drought Coordinating Council within USDA to monitor conditions and coordinate resources to assist affected agricultural producers and rural communities.

An initiative of that Council in 2003 provided more than 390 million pounds of nonfat dry milk in 10 states and 85 counties, most suffering prolonged drought, to supplement livestock feed for 2.3 million head of beef cattle, sheep, goats, and bison. The initiative was continued in 2004.

Managing Risks

From 2001 to 2004, producers received \$14 billion in insurance indemnity payments, helping to offset revenue losses.

USDA is implementing several other programs to encourage the use and production of renewable products, including one that will require a preference across the entire federal government to purchase biobased products when possible. USDA also supports programs to create sources of renewable energy, such as wind and anaerobic digesters.

Farmers are finding a multitude of new uses for their products, including plastics that are derived from renewable sources, "biopharmaceuticals" and industrial products. USDA is also encouraging additional uses for many products that have had only limited usefulness, such as energy systems powered by animal waste and byproducts.

USDA has administered billions of dollars in relief funds in a timely and efficient way for producers and communities under the Bush Administration, providing compensation for a variety of disasters.

USDA under the Bush Administration has delivered more than \$15 billion of emergency supplemental assistance to agricultural producers

Today farmers and ranchers also have access to more risk-management tools than ever before.

USDA under the Bush Administration has worked with the Federal Crop Insurance Corporation and the private sector to introduce more than a dozen new products to help producers better manage

market and natural risks. Total liability coverage under the Federal Crop Insurance Program increased 38 percent, from \$34 billion in 2000 to a record \$47 billion in coverage on a record 221 million acres in 2004. Insurance at higher coverage (“buy-up”) levels increased from 79 percent of total liability in 2000 to 85 percent in 2004.

USDA is also implementing congressionally authorized “buyouts” of two existing farm programs, with an eye toward industries that are more efficient, competitive and market-oriented. A buyout was authorized for the peanut program in the 2002 Farm Bill, and in 2004 for tobacco in the “American Jobs Creation Act of 2004.” ■



Agriculture Census Cites Changes

As U.S. agriculture becomes more diverse and the opportunities more numerous, American farmers are adapting to change. The 2002 Census of Agriculture noted several trends:

- Half of farms had Internet access, and 39 percent used a computer in their business operations (see more on “e-Government” in chapter 8).
- Direct sales to consumers increased 37 percent from 1997, totaling \$812.2 million in 2002, and reflecting trends such as the popularity of farmers’ markets and wider use of the Internet.
- 90 percent of farms were operated by an individual or family.
- The number of corporate farms declined by 18.4 percent from 1997 to 2002, reversing a trend that began in 1974.
- And in a new category for the Census of Agriculture, the value of commodities produced organically by about 12,000 farms stood at \$392.8 million in 2002.

In addition, more women and minorities were finding opportunities in agriculture, according to the 2002 Census of Agriculture:

- 27.2 percent of agricultural producers were women; women who were principal operators increased 12.6 percent from 1997.
- Principal operators of Spanish, Hispanic, or Latino origin increased by 50.8 percent.
- Black principal operators increased by 8.8 percent.
- American Indian principal operators increased by 19.4 percent.

SCIENCE AND TECHNOLOGY: SOLVING PROBLEMS, CREATING OPPORTUNITIES

3

While the structure and functions of the U.S. Department of Agriculture have changed over the decades, the central role of scientific research is as old as the Department itself. The 1862 law creating what would become USDA envisioned an agency that would acquire “useful information connected with agriculture in the most general and comprehensive sense.”

Science and technology have contributed to major advances in American agriculture, reducing by 90 percent the amount of manual labor that is required to produce our food. They have helped farmers produce more while using less

land, with fewer inputs and in a more environmentally sustainable way. They have revolutionized the way food is marketed, distributed and prepared.

Research today remains at the core of USDA’s mission, contributing to virtually every area and function within the Department. But few contributions made through the application of science and technology could be more important than its potential to save literally millions of human lives.

The Promise of Sacramento

Today, more than 840 million people worldwide live in chronic hunger and malnutrition. Hunger and poverty are at the root of many of the world’s most intractable problems: war, political instability, civil unrest and economic stagnation. These problems cross borders and affect the global economy. They are not the problems of the few; they are the responsibility of us all.

In 1996 at the World Food Summit in Rome, participants set a goal of reducing by half the number of hungry people in the world by 2015. Recognizing that not enough progress was being made, participants at the 2002 World Food Summit: *Five Years Later* rededicated themselves to that goal.

At that meeting, Secretary Veneman led the development of an international consensus supporting the critical role science and technology can play in accelerating agricultural productivity, sparking a virtuous cycle of hunger reduc-



tion, higher incomes, additional trade opportunities and economic growth among developing countries. It was in Rome that she announced USDA would host an ambitious Ministerial Conference on Agricultural Science and Technology, which was held in June 2003 in Sacramento, California.

“Current and emerging technologies have the potential to increase farm yields; improve the nutrient content of foods; deliver inexpensive, edible vaccines; improve distribution; reduce food waste; reduce the use of chemicals; and offer new marketing opportunities and income sources for farmers in such areas as biodegradable plastics and bioenergy products from agriculture. This is the power and promise of science and technology.”

– Secretary Veneman, 2002 Rome World Food Summit

The Sacramento conference was a success by virtually every measure. About 1,000 participants from around the world,

including 119 at the ministerial level, coalesced around a number of critical needs that deserved special focus:

- Making applied research and technology accessible to farmers,
- Revitalizing local and national research capacities,
- Promoting public-private partnerships,
- Facilitating the benefits of technology through supportive policies and regulations,
- Paying special attention to issues of water quality and availability,
- And integrating programs to address the HIV/AIDS crisis and to achieve rural economic growth and food security.

A highlight of the conference was a keynote speech by Nobel laureate and the “Father of the Green Revolution,” Dr. Norman Borlaug. He stated that the “Green Revolu-



“The world has the technology, either available or well-advanced in the research pipeline, to feed 10 billion people. Extending the Green Revolution to the Gene Revolution will provide a better diet at lower prices to many more food-insecure people.”

– Dr. Norman Borlaug
Nobel Laureate





tion” had passed Africa by, and he directly cautioned African leaders to not let the “Gene Revolution” pass them by, as well. Less than a year earlier, Zambia had ignited a debate when it had rejected a shipment of food aid that contained some genetically modified corn. Dr. Borlaug spoke strongly of the benefits of biotechnology, which he said can provide:

- Better and more affordable diets, to many more food-insecure people,
- Higher crop yields that require a fraction of the pesticide applications of other varieties,
- Crops that can withstand climate extremes, and which are adapted to the needs of individual regions,
- And plants that are fortified with nutrients that promote health and nutrition, such as vitamin A-enriched golden rice, which prevents night blindness.

Secretary Veneman, determined to keep the momentum of Sacramento moving forward, directed that USDA support follow-up activities. Among these were a fellowship program created in Dr. Borlaug’s name to teach people primarily from developing countries about technologies that can strengthen sustainable agriculture and improve global food availability. USDA also supported regional conferences to address local priorities and needs, including a Central American conference in Costa Rica and a West African conference in Burkina Faso.

It was in Burkina Faso that the true promise of Sacramento began to be realized. Nations that were once skeptical of emerging technologies now embraced them for their potential to alleviate human suf-

fering. All four of the West African heads of state in attendance – from Burkina Faso, Mali, Niger and Ghana – endorsed the promise of biotechnology, tailored to meet the needs of their individual countries.

It was clear that the terms of the debate were changing. Many participants expressed the same sentiment, that for them the debate about “whether biotechnology?” was over. The question now was how they could utilize it to help better feed and provide higher incomes for their people.

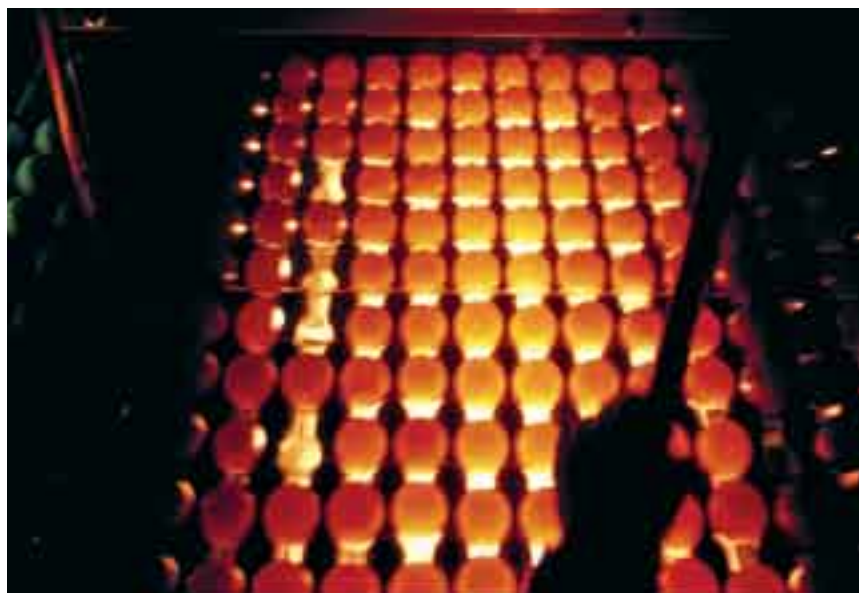
“We cannot and must not wait on the sidelines of this global debate and ignore scientific and technological innovations that are crucial to progress.”

– President Amadou Toumani Toure of Mali, June 2004

Less than a year after the Sacramento conference, the United Nations Food and Agriculture Organization reported on the “clear promise” of biotechnology to alleviate global hunger, and Europe approved its first genetically modified crop variety in several years.

Confidence Through Appropriate Regulation

“Sound science” are constant watch-words used by Secretary Veneman to consistently guide the policies and regulations of USDA. In that spirit, she chartered the Advisory Committee on Biotechnology and 21st Century Agriculture to provide the Department with guidance to help ensure proactive and forward-looking regulation of this emerging technology.



In recent years, USDA's steps to build stronger biotechnology regulations include:

- Enhancing permitting systems for plant-made pharmaceuticals and industrials,
- Increasing inspections of those sites,
- Training personnel who are involved in field tests on regulations,
- Creating a compliance and enforcement unit,
- And enhancing USDA's environmental and ecological analysis capability.

In January 2004, Secretary Veneman also announced that USDA's Animal and Plant Health Inspection Service would prepare an Environmental Impact Statement evaluating its biotechnology regulations, with possible changes as it moves to update those rules. All of these steps were taken to strengthen the regulatory system to ensure a safe food supply.

The Secrets of the Double Helix

Biotechnology is just one benefit of a larger field of sciences known as genomics. Under the leadership of Secretary Veneman, USDA has made genomic research a greater priority. USDA scientists are working in partnerships that are unlocking the mysteries of the DNA "double helix," which can yield potential benefits such as:

- Controlling animal and plant diseases,
- Improving food safety,
- Enhancing nutrient content and product quality,
- And adding production efficiencies.

USDA, along with domestic and international partners, has supported research to map or sequence the genomes of important animal and plant species, including cattle, chicken, and rice.





The Science of Agriculture

At any given moment, USDA scientists are working on more than 1,000 research projects in more than 100 facilities.

USDA funding for genomics research has increased from \$35.6 million in 2000 to \$66.9 million in 2004

USDA also chaired the White House's Domestic Animal Genomics Interagency Working Group, under which the bovine genome-sequencing project was launched. In addition, USDA scientists led projects that sequenced the genomes of several types of microbes that cause food-borne illnesses in humans, and which cause plant and animal diseases.

The Sky Is the Limit

Genomics research illustrates the benefits of partnerships that bring together the resources and expertise of many participants,

where "the whole is truly greater than the sum of its parts."

Another vital partnership spearheaded by Secretary Veneman brought USDA together with NASA in May 2003. Our nation's space agency has a strong science and technology mission, with resources that can benefit American agriculture.

The partnership grew out of an idea that farmers in particular would be helped by longer lead-times in being able to forecast global weather phenomena such as *El Niño*. The agreement with NASA involves numerous USDA agencies working on subjects as diverse as carbon sequestration, invasive species, water management, agricultural competitiveness and air quality.

Geospatial technologies such as remote sensing, precision agriculture, geographic information systems, and computer modeling would especially benefit from the resources of NASA, giving farmers and ranchers access to the best possible data.

Providing a Firm Foundation for All of Agriculture

In 2003, USDA marked the 50th anniversary of its Agricultural Research Service. At the time, Secretary Veneman traced the development of research programs and priorities of the Department, which have changed along with the needs of American food and agriculture.

Today, USDA research is also benefiting:

■ **The Environment.** Recent research is focusing on sustainability of future resources, with an emphasis on water-saving technologies; practices that reduce soil erosion and promote water quality; and research that has increased the adoption of conservation tillage.

■ **Food Safety and Animal & Plant Health.** USDA spearheaded the creation of an international working group on “prions,” which are the proteins that cause diseases such as BSE, or mad cow disease. The Department has also conducted vital research on new, rapid diagnostic tests for several animal and plant diseases, as well as alternative uses for animal waste and by-products, such as the “specified risk materials” that are banned from the food supply. Secretary Veneman fought for and helped secure funding to complete the National Animal Disease Center in Ames, Iowa.

■ **Nutrition** (discussed in greater depth in Chapter 5). Secretary Veneman has directed USDA to place a greater emphasis on research that can benefit human health and nutrition, and which can combat the nation’s obesity crisis. Some of USDA’s six Hu-

man Nutrition Research Centers target specific populations, such as children and the elderly, and research issues such as metabolism, nutrient composition and exercise. USDA also hosted a major interagency conference in October 2004 to discuss obesity-prevention research.

■ **Energy.** USDA is developing new biobased products, and supporting the development of other alternative sources of energy through tens of millions of dollars in grants and loans.

For virtually every issue related to food and agriculture, there is a USDA-supported effort related to science and technology working on it, often behind the scenes. USDA, under Secretary Veneman, has remained true to its early beginnings, providing the information and knowledge that are propelling us into an exciting, more hopeful future. ■



A SAFER FOOD SUPPLY, A STRONGER AGRICULTURE INFRASTRUCTURE

4

Consumer Confidence

An August 2004 Gallup poll showed more than 85 percent of Americans are confident in the federal government's ability to protect the food supply, and that Americans feel more confident about food-safety programs today than they did even a few years ago.

In 2001, Americans and people around the world were horrified by images of thousands and thousands of livestock being burned en masse in Great Britain to contain the spread of foot-and-mouth disease (FMD). While the disease does not threaten human health, its rapid transmission among animals poses a potential economic catastrophe to agriculture.

The crisis surfaced just days after the Bush Administration came into office, presenting one of the most pressing challenges USDA has faced. Secretary Veneman immediately put together a team to coordinate the response and work with the states. Inspections were stepped up at ports of entry, and USDA personnel conducted more than 2,200 foreign animal disease investigations from 2001 to 2004. These combined actions helped avert a disaster in the United States.

The episode illustrated the need for a strong protection infrastructure for the U.S. food and agriculture systems. From the first days of the Bush Administration, food safety, protection of the food supply, and plant and animal health have been top priorities at USDA. Their importance was brought into even sharper focus on a warm, cloudless day in September 2001.

New Threats to the Food Supply

September 11, 2001, demonstrated the extreme lengths to which terrorists would go to kill Americans and harm our economy. It also marked a shift

in USDA's focus on threats to the food supply, with a new emphasis on bioterrorism.

Steps that were being taken to upgrade America's food and agriculture protection systems in the wake of foot-and-mouth disease in Europe were enhanced and accelerated. Secretary Veneman created a Homeland Security Council within USDA to develop a Department-wide plan and an Office of Homeland Security to coordinate USDA's homeland security activities and act as a liaison with other agencies and partners.

USDA increased many key personnel, such as border inspectors and veterinarians. USDA implemented the "Select Agents Rule" that established new safeguards to reduce the chance of terrorists acquiring dangerous pathogens and toxins.

USDA also continued to enhance its pest and disease infrastructure, establishing the National Animal Health Laboratory Network (a nationwide network of 12 facilities coordinated by USDA's National Veterinary Services Laboratories in Ames, Iowa) and the Emergency Operations Center in Maryland, which assists in rapid-response efforts. The Department also stepped up research into critical areas such as genomics, as well as vaccines and improved diagnostic measures.

In July 2004, USDA and the Department of Homeland Security announced \$33 million to establish two Homeland Security Centers of Excellence for Agriculture. The Homeland Security National Center for Foreign Animal and Zoonotic Disease Defense at Texas A&M Uni-

versity is working with partners to address potential threats to animal agriculture. The Homeland Security Center for Food Protection and Defense at the University of Minnesota will lead a partnership to address issues related to post-harvest food protection.

President Bush worked with Congress to secure about \$300 million in Fiscal Year 2005 for a Food, and Agriculture Defense Initiative, which will:

- Enhance monitoring and surveillance of pests and diseases in plants and animals,
- Conduct research on emerging animal diseases,
- Increase the availability of vaccines,
- Establish a system to track select disease agents of plants,
- Expand the unified Federal-State Diagnostic Network to all 50 states,
- And complete the National Centers for Animal Health in Ames, Iowa.

Food Safety

Funding for food safety at USDA under the Bush Administration has increased by 26 percent. During that time, USDA has:

- Expanded and upgraded the scientific training and classification of FSIS field personnel,
- Completed risk assessments on the risk of BSE in beef, *E. coli* O157:H7 in ground beef, *Listeria* in ready-to-eat products and salmonella in egg products,
- Launched scientific public meetings to discuss the best ways to address food safety issues,
- And improved partnerships with the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration and state and local public health officials.



The leadership of USDA has played a significant role in reducing *E. coli* O157:H7 and salmonella in raw meat and poultry samples. 2004 marked the second consecutive year in which the United States did not experience a multimillion-pound recall of meat or poultry. Equally important is that illnesses attributed to *E. coli* O157:H7 declined 36 percent from 2002 to 2003, which the CDC attributes to USDA policies.

As it looks to the future, USDA is moving from traditional inspections based on sight, smell and feel, to a risk-based verification system that encompasses all aspects of the Department's public-health mission. Implementation of a risk-based food safety verification system that incorporates state-of-the-art science with a highly trained inspection workforce will allow USDA to more effectively target its resources to hazards and vulnerabilities that pose the greatest threat to food safety and security.

Alphabet Soup

The animal and plant health issues USDA has faced during the Bush Administration read like an alphabet soup: FMD, BSE, LPAI, HPAI, and END, along with

others such as soybean rust and sudden oak death syndrome. But strong responses by government working with partners at many levels helped prevent more serious losses of crops and animals, trade disruptions, harm to U.S. industry and, in some cases, impacts to human health.

USDA provided more than \$150 million in indemnity payments for flocks affected by avian influenza.

Disease threats prompted Secretary Veneman to direct enhancements to the protection infrastructure. She also expanded the Forest Service's "Incident Command" structure for use by other agencies, such as the Animal and Plant Health Inspection Service's response to disease outbreaks.

"The Cow That Stole Christmas"

Bovine spongiform encephalopathy (BSE), or mad cow disease, had been widely considered a problem in "other countries" before 2003. USDA had responded to outbreaks in Europe as far back as the late 1980s to prevent BSE's introduction in the United States. An aggressive surveillance, detection and response plan was put into place. A Food and Drug Administration "feed ban" was enacted in 1997 to prevent transmission of the disease through ruminant-to-ruminant feed consumption.

In May 2003, a single case of BSE was discovered in Alberta, Canada. USDA began an appraisal to determine if additional protection measures were needed.

On December 23, 2003, it was announced that a single cow had been found with BSE in Washington State. An intensive investigation began immediately, which found that the animal had

The Costs of Foot-and-Mouth Disease

The 2001 FMD outbreak in the United Kingdom cost an estimated \$3.7 billion and resulted in a 7 percent loss of the UK's livestock population.



been born in Canada before that country's feed ban and imported into the United States prior to May 2003. Only one week after the discovery, on December 30, Secretary Veneman took action to provide additional protections.

New regulations were announced to expand the “specified risk materials” that are prohibited from entering the food chain, and additional protections to food safety, including a ban on “downer cattle.” Surveillance efforts would be stepped up, and tested cattle would not be allowed to enter the food supply until a negative result was returned. USDA would also move to accelerate a nationwide verifiable system of animal identification to improve tracking of livestock. An international panel of scientific experts was convened to provide suggestions for further enhancements.

Building on the panel's report, Secretary Veneman later announced an enhanced surveillance effort, launched in June 2004, to determine the domestic incidence of BSE by specifically focusing the testing on high-risk animals. Rapid tests were approved, and by the end of December 2004 almost 160,000 cattle had been tested.

USDA implemented new food-safety rules, and provided millions of dollars in grants to partnerships to implement a national animal identification system. USDA also helped lead international efforts to provide consistency to trade rules regarding countries with reported cases of BSE.

“For the Birds”

Since 2001, USDA and state officials successfully eradicated outbreaks of low pathogenic avian influenza (LPAI) in six eastern states, as well as the first U.S. case of highly pathogenic avian influenza (HPAI) in more than 20 years.

USDA has regained market access for U.S. poultry and poultry products in several key export markets that had banned these products because of avian influenza and exotic Newcastle disease (END), a contagious, fatal disease of poultry and other birds. All major markets except China were open to U.S. poultry imports by the end of 2004.

In 2002, USDA verified the first case of END in the United States in almost 30 years. Thanks to improved policies and systems, however, the result was very different than in 1971, when it took three years to control the outbreak. Working closely with state and local governments as well as producers, and utilizing the strength of its Incident Command System, USDA was able to safely lift the END quarantine by the fall of 2003 – less than a year after the original case was identified.

Plant Diseases

In 2002, USDA quarantined a number of facilities and placed restrictions on the movement of plants that can harbor sudden oak death syndrome. In 2004, USDA took additional steps to prevent the spread of sudden oak death syndrome, restricting the flow of host nursery products, stepping up inspections and testing, and implementing testing protocols. In May 2004, Secretary Veneman announced more than \$15 million to help halt the spread of sudden oak death syndrome to non-infested areas.

Soybean rust was long expected to ap-

pear in the United States because of its windborne distribution. USDA had been preparing producers with extensive outreach and education. After a historic series of hurricanes and storms battered the Southeast, it finally arrived in late 2004. Due to the timing of the outbreak, the disease had a minimal effect on the current crop year, allowing time for response efforts for the upcoming crop year. USDA immediately began coordinating with industry on awareness and monitoring efforts to help ensure early detection and management. In addition, USDA has completed genomic sequencing of the pathogens that cause sudden oak death syndrome and soybean rust, which will assist diagnostic and eradication efforts. ■

A Strong Infrastructure

Funds for USDA's Animal and Plant Health Inspection Service have increased 86 percent under the Bush Administration.



MAKING HEALTHY CHOICES, LIVING HEALTHY LIVES

5

Starting Young

47 percent of American newborns are born into families participating in the WIC Program. It is estimated that every dollar spent on WIC prenatal participation saves 3 dollars in Medicaid expenses.



American consumers are always on the go, with long hours, children's activities, and weekends filled with endless errands and other demands on our time. Our hectic lives sometimes impact our ability to make healthy food choices or stay physically fit.

Toward a HealthierUS

In 2002, President Bush launched the *HealthierUS* Initiative to promote proper diets, increased physical activity, the avoidance of drugs and other harmful behavior, and regular preventive health screenings.

President Bush called the *HealthierUS* Initiative a "cultural challenge." USDA is working to ensure that the Department's vast financial, scientific and policy resources are geared toward helping Americans eat nutritiously and live healthier lives.

In particular, the unique research and nutrition-education programs of USDA have clearly been identified as critical in the battle against obesity and helping support a healthier population.

Understanding and Solving Problems Through Research

Obesity is at epidemic proportions in the United States and in other countries. Today 31 percent of American adults are considered obese – double the rate of 1980 – and another 34 percent are considered overweight. The number of people defined as severely obese has increased 300 percent since 1986.

Obesity contributes to a host of medical conditions, including heart disease, stroke, diabetes,

cancer and other illnesses. The Centers for Disease Control estimate that obesity cost \$75 billion in 2003 in medical costs alone, half of which were financed by taxpayers in the form of Medicare and Medicaid, with billions more in lost productivity.

USDA is taking the lead across the federal government on critical research to help prevent obesity. USDA's six Human Nutrition Research Centers conduct basic and applied research to identify and understand how nutrients and other food components affect health.

At Secretary Veneman's direction, there is now a "Nutrition, Food Safety and Quality" group working as part of USDA's Agricultural Research Service. This group will help direct and coordinate the research conducted at USDA's six human-nutrition centers.

In October 2004, USDA hosted a National Obesity Prevention Conference, which gathered scientists and researchers from across the country to discuss obesity, and to examine the sound science that will help us understand and eventually defeat this health threat.

This conference set the stage for a national scientific dialogue on obesity prevention. By bringing together all parts of the federal government in partnership with state and local governments, academia, the public health community and industry, a national research agenda for obesity prevention can be pursued.

Communicating Effective Messages

Secretary Veneman has been a strong public advocate for healthy lifestyle choices. She has traveled around the country speaking about good nutrition, physical activity, and obesity prevention.

In February 2004, she made these issues a focus of USDA's annual Agriculture Outlook Forum, which has traditionally centered on production agriculture. At the Forum, Secretary Veneman noted that as diets and consumption patterns change, farmers and ranchers feel the impacts and must adapt to consumer demands to remain competitive.

She also emphasized that USDA is a powerful force for communication and education regarding obesity and healthy lifestyle choices. At the Outlook Forum, she directed leaders at USDA to ensure that all of the Department's nutrition-education messages are consistent, and designed cooperatively across agencies with a common goal: to make a positive difference in consumer behavior.

Nutrition-education programs and materials are being reviewed to ensure that resources are being used as efficiently and effectively as possible.

Dietary Guidelines Central to Nutrition Education

As science and technology continue to sharpen our understanding of nutrition, USDA under the Bush Administration has focused on using the most up-to-date methods and knowledge to guide its programs and recommendations.

USDA has worked with the Department of Health and Human Services and an advisory committee of experts in various nutrition and health disciplines to incorporate new scientific information and better understanding into



revising the *Dietary Guidelines for Americans*. The *Dietary Guidelines* will then be the basis for a revised Food Guidance System and educational materials to implement the new guidelines.

These efforts will not only provide the general public with current nutrition advice but also guide USDA in providing the healthiest possible school meals and food benefits in other government nutrition programs.

A Healthy Start on Life

Under the Bush Administration, USDA has worked to ensure improvements in programs that contribute to the health of women and the young. One key program is the Women, Infants and Children (WIC) Program, which fosters good nutrition and healthy lifestyles from the earliest possible age, and among pregnant women and new mothers.

WIC funding has increased nearly 30 percent since 2001. The program has added resources for nursing mothers, and is increasing its efforts to encourage healthy eating habits among preschool-age children.

Saving Taxpayer Dollars

The decrease in the error rate for Food Stamps since 2001 has saved taxpayers \$313 million.



A Major Mission

Fully 60 percent of USDA's entire budget is dedicated to nutrition and nutrition-assistance programs.

USDA has also worked to ensure that there are resources to provide good nutrition in school environments and to help children learn about and live healthy lifestyles. In 2004, Secretary Veneman launched the *HealthierUS* School Challenge, which expands on the already popular Team Nutrition program by recognizing and rewarding schools that make strong efforts to help their students practice healthy lifestyles. USDA is also expanding a pilot program that supplies and promotes fresh fruits and vegetables as snacks in schools, which has proven popular among students, prompting reports of children continuing healthy eating habits at home.

Perhaps the most important tools for both providing access to nutritious foods and promoting healthy lifestyles, however, are USDA's school lunch and school breakfast programs. Some 29 million students across the country eat a balanced school lunch on a typical day, 17 million of whom receive meals free or at reduced price; about 9 million children participate in the school breakfast program.

School lunches present a unique opportunity to provide healthy food choices to a broad cross-section of schoolchildren. USDA has worked to modernize the programs to provide greater access and efficiency, while offering healthier choices among the 200 USDA commodities that schools can choose for their own school meals programs, such as lower-fat alternatives.

These widespread improvements in child nutrition programs followed a nationwide series of outreach sessions in which USDA officials met with stakeholders to determine which improvements were sought by those who know the programs best: the schools that implement them, and the parents and children who benefit from them.

Stronger, More Effective Programs

Funding for nutrition programs since President Bush came into office has increased by nearly 55 percent.

To ensure that these programs are run more effectively and efficiently, USDA has spearheaded policy options to improve program administration that have been adopted by 48 states.

USDA's nutrition-assistance programs (including Food Stamps, school meals, and the Women, Infants and Children Program) touch the lives of one in five Americans every day and provide excellent opportunities to teach people about healthy eating.

In June 2004, Secretary Veneman announced the end of the traditional paper Food Stamp coupon. In every state across the nation, Food Stamps are now distributed, spent and administered via Electronic Benefits Transfer, or EBT. The implementation of this new system means not only faster and more convenient service for recipients, retailers and financial institutions, but also improved program integrity. Eliminating paper coupons reduces the potential for fraud and trafficking of Food Stamps.

The Food Stamp program has shown dramatic improvement in efficiency over the last four years. The Food Stamp error rate has dropped 25 percent since January 2001, to a record low 6.64 percent.

USDA has forged a unique cooperative bilateral agreement with Mexico to address hunger domestically and teach healthy lifestyle choices. In July 2004, Secretary Veneman and the Mexican Secretary for Foreign Affairs signed an agreement under which USDA and the network of Mexican consulates in the United States would help

educate Mexican Americans and Mexican nationals in the United States about nutrition-assistance and nutrition programs that are available to them.

International Involvement

While USDA provides nutrition assistance to Americans, countries around the world are also the beneficiaries of programs that share the bounty of American agriculture internationally. The United States is the number-one donor of international food assistance. In July 2004, at a conference celebrating the 50th anniversary of the “Food for Peace” Program, Secretary Veneman reiterated USDA’s strong commitment to direct food assistance to other nations.

Under the McGovern-Dole International Food for Education and Child Nutrition Program, USDA is now supporting projects in 21 countries reaching some 2.3 million school children, mothers and infants. By providing school meals, the program provides incentives for children to stay in school and promotes the proper nutrition necessary to learn better, ultimately improving lives and economies in developing countries.

USDA has also worked to share expertise with other nations on U.S. nutrition-assistance programs in order to enhance their own programs. For example, USDA and Brazil have conducted technical exchanges to improve Brazil’s “Zero Hunger” initiative. Brazilian officials visiting the United States saw firsthand our food and nutrition programs, food handling and distribution techniques, farmers markets, community gardens, and food banks. USDA has also had similar, productive exchanges with South Africa and Israel.

Iraq and Afghanistan

USDA has been active in reconstruction efforts in Iraq and Afghanistan. In November 2003, Secretary Veneman traveled to both nations to examine how the United States is helping to alleviate hunger and rebuild the agriculture infrastructure in those countries.

In Kabul, Afghanistan, Secretary Veneman announced the first-ever women-specific Cochran Fellowship Program, which is providing U.S.-based training in agricultural finance to eight Afghan women.

Iraq also now has a Cochran Fellowship Program. In December 2004, 10 Cochran Fellows from Iraq’s Ministry of Agriculture and agricultural colleges came to Washington to meet with Secretary Veneman, USDA staff and the Universities of Nebraska and Florida. The fellows studied the U.S. agricultural education, research and government sectors, and discussed ways to create closer cooperation among Iraqi agricultural universities and their U.S. counterparts. ■

“We saw programs in Afghanistan that were using American food-aid wheat to provide employment for women, and low-cost bread for women and children. To see those women working in those bakeries, and those obtaining the food assistance, many of whom still wore *burkhas*, was an incredible experience.”

– Secretary Veneman



Secretary Ann M. Veneman with women in Afghanistan, November 2003

CONSERVING OUR NATIONAL TREASURES

6

Protecting More Forestland

In 2004 the federal government treated more than three times the number of forest acres for fuel buildups than in 2000.

The United States is rich in natural beauty, from its beaches and waterways to stunning mountains and forests, rolling fields and rangelands. These treasures are not just ours; they are part of our legacy to our children and grandchildren. The current generation has the challenging responsibility to manage them in “trust” for future generations.

Safeguarding that trust is one of USDA’s most important missions. As home to the Forest Service, the Department has a responsibility to preserve and protect our national forests, millions of acres of which are threatened by catastrophic wildfires. Through its Natural Resources Conservation Service and Farm Service Agency, USDA also is responsible for promoting conservation efforts for soil, water, air and wildlife.

Under the leadership of President Bush and Secretary Veneman, USDA has made tremendous progress in protecting our natural resources. The Department has reduced the risk of catastrophic fires by treating hazardous fuels

using landmark forest-health authorities, and has reached out to America’s farmers and ranchers with incentives to conduct good environmental stewardship.

Protecting Against Wildfires

In 2000, the United States had one of its worst fire seasons in 50 years. 2002 was another severe fire season, with record wildfires in four states, while areas of California experienced serious wildfires in autumn 2003.

In response to this persistent threat, President Bush in 2002 announced his Healthy Forests Initiative. The Initiative is a comprehensive plan to care for America’s forests and rangelands, reduce the risk of catastrophic fire to communities, save the lives of firefighters and citizens, and protect wildlife habitat and ecosystems.

The Healthy Forests Initiative changed the terms of the debate, replacing deadlock and stalemate with bipartisanship and progress. In December 2003, President Bush came to USDA to sign the Healthy Forests Restoration Act, the legislative centerpiece of the Healthy Forests Initiative that passed in Congress with large, bipartisan majorities.

The key to the Initiative was to give local experts the flexibility and tools needed to treat forests, curbing the hazardous and unnatural buildup of undergrowth through thinning procedures and controlled burns.

Since President Bush took office, federal land management agencies have treated hazardous fuels on 11 million acres of public lands – twice the pace of the previous eight years. In 2004, the first year



under the Healthy Forests Restoration Act, USDA and the Interior Department treated a record 4.2 million acres, an increase of 1.6 million acres over the previous year's total.

Secretary Veneman also promoted understanding forest conditions to help deter catastrophic events. Using authority provided under the Healthy Forests Restoration Act, the Forest Service has developed a monitoring system that helps in identifying and responding to forest health threats before they get out of control.

Preventing More Than Just Fires

The Healthy Forests Initiative does more than help guard against wildfires. USDA has implemented policies that result in improved wildlife habitat, better air and water quality, and less erosion.

USDA worked with state foresters, private landowners, and tribal and local governments to develop guidelines that promote the use of forestry practices to sustain healthy watersheds. The Department is also working with landowners, professional societies and conservation organizations to develop a Healthy Forests Reserve Program that will help restore and maintain biodiversity and the habitat of threatened and endangered species.

In many parts of the country – most notably, the Southeast – pest infestations are destroying precious forestland. Under the Healthy Forests Restoration Act, local officials are being given new and expanded tools to fight infestations. The Forest Service has already initiated six landscape-scale research projects so that the very best science can inform efforts to battle damaging species such as the southern pine beetle and red oak borer.

Communities and individuals also depend on our forests, which is why USDA, in partnership with the Bureau of Land Management, awarded 93 stewardship contracts covering 66,000 acres in 2004. These contracts benefit forest health, while contributing to sustainable rural communities and providing a source of local income and employment.

Roadless Area Protection

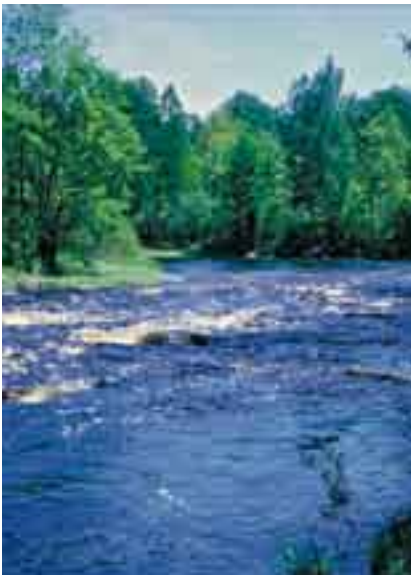
The President and Secretary Veneman have made protecting the most pristine areas of our national forests a national priority. In May 2001, Secretary Veneman announced that the Department would implement the 2001 Roadless Area Conservation Rule, but would make changes to address important concerns raised by governors and local communities. Notwithstanding this commitment, a federal district court enjoined the 2001 rule nationwide in July 2003.

Making Forests a Priority

From 2001 to 2004, Secretary Veneman traveled to 14 states to attend 26 separate Forest Service events.



President Bush signs the Healthy Forests Restoration Act December 2003 at USDA



"For farmers and ranchers, for people who make a living on the land, every day is Earth Day. There are no better stewards of the land than people who rely on the productivity of the land."

*— President George W. Bush,
May 13, 2002*

In July 2004, Secretary Veneman proposed a new rule calling for the conservation of roadless areas in national forests and grasslands through close cooperation with the states. The proposed rule would provide the local flexibility needed to balance the protection of roadless areas with the equally important obligation to protect public health and safety, reduce wildfire risks to communities and critical wildlife habitat, maintain critical infrastructure, and assure citizen access to private property.

Toward a New Cooperative Conservation

President Bush and Secretary Veneman understand the importance of conserving our natural resources, both for our own benefit and so that future generations may enjoy them. Under the 2002 Farm Bill, conservation funding has increased by 80 percent.

USDA is implementing innovative, incentives to help conserve resources on and near farms, such as the Conservation Security Program (CSP). Referred to as "Reward the Best, Motivate the Rest," USDA is committed to a framework that works with – not against – farmers and ranchers. Agricultural producers have a vested interest in being good stewards of the land, and reasonable financial incentives can help them do even more.

Protecting Wetlands

Only 30 years ago, almost 500,000 acres of wetlands were being destroyed every single year. Now, that number has shrunk to practically zero. The President's Wetlands Initiative aimed to reverse this decline by creating, restoring or enhancing 3 million acres of wetlands over five years. Since 2001, more than 600,000 acres have been enrolled

through USDA's Wetlands Reserve Program.

Conservation activities on agricultural land accounted for the first-ever net gain of 131,400 wetland acres from 1997 to 2002

USDA has also launched the Wetlands Reserve Enhancement Program, designed to increase cooperation among federal, state, and private entities. Under the program's initial allocations, \$26 million was provided to protect more than 7,250 acres of wetlands.

Conservation Reserve Program

In August 2004, President Bush announced an 800,000-acre expansion of the Conservation Reserve Program (CRP), including initiatives to expand wildlife habitats and wetlands, and a provision offering early pre-enrollments and contract extensions to address the large number of acres that will begin expiring in 2007.

Since the 2002 Farm Bill became law, about 3.5 million acres have been enrolled in CRP. USDA is now signing CRP contracts on more than 70 percent of the applications received.

There are currently almost 35 million acres of environmentally sensitive land being voluntarily protected by America's agricultural producers under CRP

Under the President's expansion plan, CRP is focusing on protecting 250,000 more acres of wetlands. The President also set a goal to establish 250,000 acres of grass buffers to increase wildlife habitat, which will increase the northern bobwhite quail population by an estimated 750,000 birds annually.



Conservation Reserve Enhancement Program

Secretary Veneman has worked to complete agreements under another important USDA program, the Conservation Reserve Enhancement Program, or CREP.

CREP is an offshoot of the CRP. It allows USDA, states and tribal governments to work with private landowners or other organizations to protect some of our most environmentally sensitive resources. Like CRP, it is voluntary.

Since President Bush took office, USDA has signed 15 CREP partnership agreements, resulting in the protection of more than 600,000 targeted acres.

In total, there are now 29 state partnership CREP agreements, resulting in a federal investment of \$2.7 billion and matched by more than \$800 million in state funds.

Conservation Security Program

The Conservation Security Program (CSP) is an innovative approach to improve the conditions of America's working farms and ranches by rewarding agricultural producers practicing good environmental stewardship while providing incentives for additional conservation practices.

USDA in the summer of 2004 made important improvements to the program. Eligible farmers now able to receive compensation for

converting to renewable energy fuels, such as soy biodiesel and ethanol. USDA is also offering financial incentives for agricultural producers who recycle 100 percent of on-farm lubricants, or who turn to environmentally friendly energy production, including wind, solar, geothermal and methane production.

In November 2004, Secretary Veneman announced a major expansion of CSP. More than 200 new watersheds were made eligible for sign-up in 2005. Those watersheds represent nearly one-eighth of the nation's potentially eligible farms and ranches, covering more than 83 million acres in every state.

Greenhouse Gases

USDA's widely varied conservation efforts have many goals, but the Department in recent years has put additional emphasis on one particularly important goal: reducing greenhouse gas emissions. In June 2003, Secretary Veneman announced that for the first time ever, USDA will factor in greenhouse-gas benefits when setting priorities within conservation programs. This in turn allowed USDA to target "carbon sequestration" (literally, storing carbon in the soil) as an environmental benefit in the CRP program.

In February 2002, President Bush directed USDA to develop accounting rules and guidelines

for crediting carbon sequestration. The guidelines will enable farmers, ranchers, and forest landowners to record changes in greenhouse gas emissions and increases in carbon sequestration from conservation actions.

USDA is providing incentives and supporting voluntary actions by private landowners to reduce greenhouse gas emissions and increase carbon sequestration through the Department's various programs, including the Environmental Quality Incentives Program (EQIP), and Renewable Energy programs. ■

Understanding Climate Change

USDA conducts roughly \$65 million of global climate change research every year.

A BRIGHTER FUTURE FOR RURAL COMMUNITIES

7

"I'm really happy about having my own room. Thank you all from all my heart for making our dream come true."

— Armando, one of four children in the Garcia family in June 2003, after moving into a new home built with support from USDA Rural Development

Today some 63 million Americans live in rural areas.

They are farmers, business owners, and workers. Some have lived there their entire lives; some choose to live there for the distinctive lifestyles rural communities offer.

The Rural Development programs of USDA are touching lives and improving communities all across the country. USDA's Rural Development mission encompasses far more than agriculture, because rural America is far more than agriculture. In fact, as recently as 2001, only 4 percent of rural earnings were derived from agriculture. In contrast manufacturing and service industries combined account for 40 percent of rural earnings.

USDA is committed to strengthening rural America in several ways. The Bush Administration has invested more than \$50 billion in rural communities, in housing, communications, infrastructure, business opportunities and emergency services. USDA Rural Development has also begun an aggressive marketing and

outreach effort to ensure that more Americans are aware of its services and programs.

The challenges rural Americans face are unique: Some communities are geographically isolated, and some face declining populations and limited economic opportunities, while others are experiencing rapid growth and encroaching urbanization. It is this diversity of challenges, and the rural way of life that has made our country strong, that drive the Rural Development activities of USDA.

Whether it is for a new community fire truck, repairs to a small-town elementary school, a new and promising business venture, more housing, or access to high-speed Internet, USDA is a vital source of support for rural Americans.

Job Creation in Rural America

The availability of jobs in rural America may be the single most important factor in increasing economic growth and raising the standard of living. Good jobs do more than provide a paycheck. In some rural areas, young people are moving elsewhere because they believe that their hometowns lack opportunity. Good jobs mean good opportunities, and strong incentives for young people to stay in their towns and help improve them. Good jobs are a source of pride for individuals and for entire communities.

Secretary Veneman understands the importance of helping create a sound environment for job creation in rural America. Since January 2001, USDA Rural Development activities have helped create or



save more than 800,000 jobs in rural communities.

USDA's Value-Added Agricultural Market Development Grants help farmers and ranchers increase their economic opportunities through the development of new products and markets for agriculturally based products. Since 2001, that program has invested about \$100 million in rural communities.

The Bush Administration's strong efforts to help agriculture sell its products abroad have also contributed strongly to job creation in rural America. Today, agricultural exports account for about 930,000 American jobs, of which 40 percent are in rural areas.

Homeownership: Dignity and Equity

As President Bush often says, "The American Dream starts with owning a home." USDA has helped to make that dream come true for rural Americans again and again.

Under the Bush Administration, USDA has made possible more than \$14.7 billion for housing opportunities in rural America. Since 2001, more than 170,000 families have received homeownership assistance.

Rural America has a higher homeownership rate – 76.1 percent – than the national average of 69.2 percent

That success does not mean that USDA is resting on its laurels. The President has set ambitious goals for homeownership, and USDA is working hard to meet those objectives. The Department is supporting the President's Minority Homeownership Initiative, which will help an additional 5.5 million minority families become homeowners by 2010. Under the Initiative, USDA has:

- Reduced barriers to minority homeownership by allowing origination fees to be incorporated into overall loans, resulting in a record total of \$3.18 billion in loans in Fiscal Year 2004,
- Committed to doubling the number of Self-Help participants by 2010. In the last two years, grants to Self-Help partners increased by more than 63 percent to nearly \$33.6 million per year, helping more than 1,100 families build their own home,
- Increased participation by minority lenders through outreach and marketing,
- Promoted credit counseling and homeownership education through a partnership with the FDIC's "Money Smart" training course program and through comprehensive homebuyer training,
- And established an internal tracking system to monitor lending activities.

In 2003, Secretary Veneman joined with Secretary of Housing and Urban Development Mel Martinez to sign the Southwest Border Initiative, an agreement under which the two departments are now pooling expertise and resources to more completely and efficiently help promote homeownership in the Southwestern United States, especially in the "colonias," which are unincorporated villages that often lack utilities and sufficient housing.

The future holds even more. The President has pledged to increase the supply of affordable housing by 7 million units over the next 10 years – a project that USDA's Rural Development programs will help achieve.

Living the American Dream

"Jose Garcia and his wife, Maria, and their four children live in the *colonia* of Mecca in California's Coachella Valley. ... All six Garcias lived in what can only loosely be called a 'house,' basically a shed, 12 by 25 feet and 6 feet high, constructed from a two-by-four frame with plywood walls and a concrete slab floor. The openings that served as windows were covered not with glass, but with mosquito netting. The nearest bathroom was about 30 feet away, and power was supplied by a single extension cord running from another house nearby. ...

"But thanks to a Rural Development direct homeownership loan, sweat equity, and funds from other sources ... this is their new four-bedroom, two-bath ranch-style home, and as you can see, the family is there."

– Secretary Veneman,
June 16, 2003





Supporting the Infrastructure in Rural Communities

As new jobs and new homes encourage growth in rural communities, essential services must grow as well. In the last four years, USDA has made major contributions to rural infrastructure, from communications to health care to water treatment. These programs are helping improve the quality of life in rural communities while supporting and paving the way for increased growth.

Under the Distance Learning and Telemedicine program, for example, more than 1,100 hospitals, clinics and other health care institutions have been given the opportunity to develop technologies that will allow them to enhance the quality of care in their rural communities.

Secretary Veneman emphasizes education in virtually all areas of USDA's influence, and under her leadership nearly 3,000 rural schools and educational facilities received funding to expand their access to modern telecommunications technology.

In addition, the Community Facilities program has invested \$814 million in local projects that will construct, enlarge, or improve community facilities for health care, public safety and public services.

The Rural Electric Loan Program has made or guaranteed 728 loans totaling \$12.5 billion, and USDA has invested \$6.4 billion in water and waste infrastructure.

And in order to help protect the lives and property of all Americans living in small towns and rural areas, USDA has invested nearly \$740 million to fund first responders in rural communities. USDA programs have helped to purchase more than 600 fire trucks and 150 police cars, and have helped construct or renovate 100 health care-related buildings.

Blazing New Trails in Rural America

Many USDA Rural Development programs support traditional needs, but some initiatives concentrate on helping rural communities take advantage of new technologies.

Under his Broadband Initiative, President Bush has made a commitment to make universal, affordable broadband technology available to all Americans by 2007,

and USDA is helping make that promise a reality.

Broadband has the potential to benefit all areas of rural development. Important programs like the Distance Learning and Telemedicine Program and others mentioned above could not succeed without the nearly instantaneous communication that broadband access provides.

USDA has contributed to the President's Broadband Initiative by awarding more than \$3.3 billion in loans and grants to fund broadband infrastructure. Those funds support high-speed broadband

connections in more than 1.3 million rural homes and businesses.

Renewable energy represents another area of new technology that has the potential to revolutionize rural America. In support of President Bush's economic growth and energy initiatives, USDA has invested more than \$190 million in a variety of renewable energy projects – including value-added ventures – that will inspire innovation while leveraging the strong entrepreneurial spirit of America. ■



Marketing and Using Innovative Energy

USDA investments from 2001 to 2004 in rural energy initiatives include:

- \$15.7 million to develop and market bioenergy
- \$44.5 million to reduce energy cost and increase profit opportunities for rural businesses, farmers and ranchers
- \$114 million for renewable electric energy

BETTER RESULTS AND PERFORMANCE FOR CUSTOMERS

8

Responsible Use of Taxpayer Funds

Since 2001, USDA has collected more than \$4 billion of delinquent debt.

One of President Bush's priorities when he took office was to make the federal government more effective, efficient and results-oriented. In August 2001, he launched the President's Management Agenda, or PMA. The PMA's goal is to improve the management and performance of the federal government. The initiative outlines specific goals and areas in which the government could begin to deliver concrete, measurable results.

PMA recognizes that programs are only as good as their delivery systems. The federal government – and USDA – cannot be successful unless they are running efficiently and delivering programs and services smoothly. Under the leadership of President Bush and Secretary Veneman, USDA has taken many steps to better serve – and to reflect – the needs of its customers.

Better Results, Better Government

Under the guiding philosophy of the PMA, USDA and its dedicated employees are serving customers more effectively and efficiently,

while conserving taxpayer dollars. USDA has implemented Budget and Performance Integration, which guarantees that a program's performance is considered when budget decisions are made.

The PMA's results-oriented, "customer first" approach also means making USDA accountable to the public and transparent in its financial and program operations. Under the Bush Administration, USDA has dramatically improved in this area. Every year, a recognized outside authority ranks how well USDA's Performance and Accountability Reports identify the public benefits produced by USDA, and at what cost. According to this authority, USDA's report ranked fourth in Fiscal Year 2003 among all federal agencies rated. That is a dramatic improvement from previous years, when USDA ranked 12th in Fiscal Year 2002, and dead last – 24th out of 24 – in Fiscal Year 2000.

USDA Accountability Report Rank Among 24 Major Gov't Departments and Agencies

2003	4th
2002	12th
2001	13th
2000	24th

Another result of internal reforms included a historic first for USDA: In 2002, the Department and every one of its agencies received a "clean audit," which means that an independent review found that the financial reports had no significant errors or misstatements. That was followed again by clean audits in 2003 and 2004. Taxpayers now can have



greater confidence that USDA can fully account for the funds it both receives and spends.

e-Government

Technology is changing the world of agriculture – and USDA. According to the most recent Census of Agriculture, half of farms in 2002 had Internet access, and 39 percent used a computer in their business operations. To farmers and ranchers who increasingly use computers and the Internet as everyday tools, it is often more efficient to communicate with USDA from home, 24 hours a day and seven days a week, than to travel to a brick-and-mortar office.

The commitment to new technology to better serve customers is one of the main areas of focus in the President's Management Agenda. The e-Government Initiative represents a strong commitment to faster, better service for all Americans. At USDA, e-Government is bringing the delivery of USDA programs and services into the Internet age. Information, applications, and programs that once could only be found in physical offices now can be accessed without ever leaving home or the office.

e-Government means many different things. Internally, USDA has implemented technology that is allowing it to better oversee and control the management of its many programs. During the Fiscal Year 2005 budget process, the Department re-examined budget priorities for information technology and, as a result, consolidated several repetitive projects, saving \$167 million. USDA is focusing particularly closely on upgrading its IT security systems – which protects both employees and customers – and on redesigning its enterprise architecture, which is helping give USDA employees the tools they need to respond to



customers' needs more efficiently and more quickly.

USDA's customers can also directly see results of the e-Government Initiative. In early 2004, for example, USDA launched a redesigned Website (www.usda.gov) which provides the maximum amount of information with a minimum of time-consuming searches for the consumer. Later in 2004, the "MyUSDA" feature became an integral part of the Website. This feature allows users to customize their own version of the USDA homepage so that the information and updates they need most often are always available.

The new USDA Website was designed with the goal that any information should be accessible with no more than "three clicks" of the mouse

Since then, USDA has added more and more e-Government features, so that customers can do more in less time, with fewer hassles:

■ **Electronic Loan Deficiency Payments (e-LDP).** This Web-based application allows producers to request and receive Loan Deficiency Payments online.

"The computer has already taken its place next to the plowshare and tractor as indispensable to farmers, and USDA's e-Government initiatives will provide tools to unleash the fuller potential of information technology."

– Secretary Veneman,
January 2004



"All of us are committed to making USDA a place that is guided by equality and opportunity ... both within the Department and for those we serve."

— Secretary Veneman

■ **USDA Customer Statements.**

This application makes a wide range of USDA services and programs available through a single report for individual producers.

■ **Conservation Reserve Program General Signup Offer.**

This feature updates and maintains the information needed for CRP signup, and allows producers to enroll online.

■ **Food Stamps.**

The USDA Food Stamp Program is now administered electronically (EBT), eliminating the traditional paper coupon. This is easier and more efficient for Food Stamp suppliers, consumers and retailers, while cutting down on fraud and abuse.

■ **USDA Authentication Service.**

This government-wide service permits customers to use a single credential (user name and password) to conduct electronic transactions across USDA – and soon, across the federal government.

■ **Grants.Gov.**

This initiative streamlines the process of locating and applying for grants by creating a single government access point where citizens and businesses can apply for grants from USDA and other agencies through a simplified application process that reduces paperwork.

In addition to program signups, USDA is collecting a wide variety of information online so that it can be quickly and easily accessed by producers, including:

■ **National Agricultural Statistics Service**

statistical data and reports,

■ **Economic Research Service**

information and services,

■ **Commodity market data and information,**

■ **And geospatial information and data.**

Equality of Opportunity at USDA and Beyond

USDA has made significant progress under the Bush Administration in making its programs and services more relevant and more available to minorities and women.

Secretary Veneman swore in the first-ever Assistant Secretary for Civil Rights in April 2003.

Outreach is central to USDA's civil rights objectives. USDA launched a public awareness campaign to ensure that women and minorities are fully aware of USDA's programs and services. The Office of Outreach is developing a comprehensive plan specifically designed to facilitate outreach with minority and socially disadvantaged farmers and ranchers.

In March 2004, USDA and the Marriott Corporation entered into a partnership that is allowing the two organizations to jointly use their resources and expertise to reach out to minority farmers in the mid-Atlantic and Southern states, helping them improve their business capacity and expand markets for their products. In its first few months, the agreement yielded tens of thousands of dollars in sales for minority producers.

In August 2004, USDA proposed new guidelines for the election of members to local Farm Service Agency (FSA) County Committees. The guidelines are designed to ensure that County Committees fairly represent agricultural producers, especially minorities and women. After an aggressive outreach program, 97 percent of targeted County Committee areas

had minority or women nominees on the ballot for 2004.

In addition, USDA's civil rights activities continue to receive strong financial support. Funding for the Office of Civil Rights has increased by 46 percent since 2001.

Faith-Based and Community Initiatives

President Bush launched the Faith-Based and Community Initiatives because he believes that local organizations have the intimate knowledge of their communities that would help them partner with government to deliver services more efficiently and effectively. USDA has long worked closely with faith-based and community organizations to help deliver goods and services, particularly nutrition assistance and rural development projects.

"Government can provide resources and services to Americans in need, but faith-based and community organizations ... are helping restore hope, dignity and self respect to individuals in need. Together these kinds of partnerships are helping improve the lives of so many families and children, and making for stronger communities throughout the nation."

*— Secretary Veneman,
February 2003*

The Faith-Based and Community Initiatives have provided USDA opportunities to enlist additional local support:

■ In April 2004, USDA Rural Development launched a pilot project under which Rural Development state offices across the country are hosting workshops with faith-based and community organizations to help them understand the resources available to meet local needs.

■ In September 2003, Secretary Veneman announced the National Nonprofit Humanitarian Initiative, under which USDA's Commodity Credit Corporation transferred almost 400 million pounds of nonfat dry milk from its surplus inventories to qualified nonprofit faith-based and community organizations. Those organizations then distributed the milk as needed, either in the form of their meal services or directly to needy recipients.

■ Additional faith-based organizations are enrolling in the Summer Food Service Program, providing federally supported nutritious meals to at-need clients.

Looking to the Future

Secretary Veneman has made it a priority to help young people become more interested in careers in agriculture and public service, particularly as a large number of talented employees leave government service.

In response to President Bush's "Call to Service" in his 2002 State of the Union Address, Secretary Veneman launched USDA's "Leaders of Tomorrow" program, which seeks to promote the next generation of agriculture leadership. Students have joined Secretary Veneman as she has traveled the country, learning more about USDA and careers in agriculture. The program also sponsors art exhibits by grade-school students that are centered on themes of agriculture education.

USDA offers opportunities for young people through:

■ Ongoing support of 4-H and FFA,

■ The 1890 Scholars Program, which provides scholarships and

internships for students studying agriculture and related fields at one of the "1890" historically black land-grant universities,

■ And about 10,000 internships every year at USDA offices across the country.

Today's young people face a new world of challenges and possibilities, where the only limit to what can be accomplished is what can be imagined.

Whether it is helping U.S. agriculture continue to produce food and fiber competitively and successfully ... providing the infrastructure that protects our food and agriculture systems ... promoting a healthier population ... managing our natural resources wisely ... enhancing communities in rural America ... or offering the best customer service across all its programs ... USDA under the Bush Administration stands as a strong partner with the American people, working every day for a brighter future. ■





www.usda.gov

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